



RUSORO MINING LTD.
Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2011
(Expressed in thousands of US dollars, except per share amounts)
(Unaudited)

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RUSORO MINING LTD.
Condensed Interim Consolidated Statements of Financial Position
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(Unaudited)



	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current Assets			
Cash	\$4,567	\$4,054	\$10,420
Short-term investments	-	-	3,806
Receivables (Notes 5 and 16)	6,190	12,755	3,357
Inventories (Note 6)	33,735	38,169	52,985
Prepaid expenses and deposits	17,403	12,773	8,088
	<u>61,895</u>	<u>67,751</u>	<u>78,656</u>
Receivables (Notes 5 and 16)	15,767	14,591	13,041
Property, plant and equipment (Note 7)	628,263	628,792	631,544
Mineral properties (Notes 8 and 16)	266,437	266,155	247,499
Deferred tax assets	3,474	3,208	-
	<u>\$975,836</u>	<u>\$980,497</u>	<u>\$970,740</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities (Notes 9 and 16)	\$60,841	\$55,043	\$25,579
Deferred revenue (Note 10)	5,932	6,643	-
Income taxes payable	3,696	3,691	2,812
Convertible loan (Note 12)	29,388	28,631	57,935
Other current provisions	4,314	4,314	4,331
	<u>104,171</u>	<u>98,322</u>	<u>90,657</u>
Accrual for termination benefits	3,617	3,492	915
Derivative financial liabilities (Note 13)	1,918	4,001	324
Decommissioning and restoration provision (Note 11)	4,931	4,491	2,421
Deferred tax liabilities	201,630	209,229	238,887
	<u>316,267</u>	<u>319,535</u>	<u>333,204</u>
EQUITY			
Issued capital (Note 14)	\$736,283	\$736,238	\$736,087
Equity component of convertible loan (Note 12)	1,223	1,223	4,733
Contributed surplus	62,955	62,970	56,937
Deficit	(142,775)	(141,490)	(160,429)
	<u>657,686</u>	<u>658,941</u>	<u>637,328</u>
Non-controlling interests	1,883	2,021	208
	<u>659,569</u>	<u>660,962</u>	<u>637,536</u>
	<u>\$975,836</u>	<u>\$980,497</u>	<u>\$970,740</u>

Nature of operations – Note 1
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APPROVED BY THE BOARD OF DIRECTORS ON JUNE 29, 2011.

“Andre Agapov”

Andre Agapov, Director

“Gordon Keep”

Gordon Keep, Director

See accompanying notes to the condensed interim consolidated financial statements

RUSORO MINING LTD.
Condensed Interim Consolidated Statements of Comprehensive (Loss) Income
(Expressed in thousands of US dollars, except per share amounts)
(Unaudited)



	Three Months Ended	
	March 31, 2011	March 31, 2010
REVENUES FROM MINING OPERATIONS	\$28,495	\$16,343
COSTS OF MINING OPERATIONS		
Mining operating expenses (Notes 15 and 16)	30,143	13,523
Depreciation and depletion	3,193	2,886
	<u>33,336</u>	<u>16,409</u>
LOSS FROM MINING OPERATIONS	<u>(4,841)</u>	<u>(66)</u>
Share-based compensation expense	10	172
General and administrative (Note 16)	1,759	2,761
Foreign exchange loss (gain)	3,737	(3,554)
	<u>5,506</u>	<u>(621)</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(10,347)</u>	<u>555</u>
Interest on convertible loan	1,504	2,638
Gain on revaluation of derivative financial liabilities	(2,174)	(205)
Impairment of property, plant and equipment	707	12
Other income	(1,096)	(50)
	<u>(1,059)</u>	<u>2,395</u>
LOSS BEFORE INCOME TAXES	<u>(9,288)</u>	<u>(1,840)</u>
Deferred tax recovery	(7,865)	(3,056)
NET (LOSS) PROFIT AND COMPREHENSIVE (LOSS) INCOME	<u>(\$1,423)</u>	<u>\$1,216</u>
Attributable to:		
Non-controlling interests	(138)	348
Equity shareholders of the Company	(1,285)	868
	<u>(\$1,423)</u>	<u>\$1,216</u>
(LOSS) EARNINGS PER SHARE		
Basic and diluted	(\$0.00)	\$0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	530,091	529,846
Diluted	534,563	585,707

See accompanying notes to the condensed interim consolidated financial statements.

RUSORO MINING LTD.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in thousands of US dollars, except per share amounts)
(Unaudited)



	Issued capital		Equity component of convertible loan	Contributed surplus	Deficit	Non-controlling interests	Equity
	Shares	Amount					
Balance, January 1, 2010	529,846	\$736,087	\$4,733	\$56,937	(\$160,429)	\$208	\$637,536
Convertible loan repayment	-	-	(4,733)	4,733	-	-	-
Convertible loan modification	-	-	1,223	-	-	-	1,223
Share-based compensation expense (Note 14(c))	-	-	-	1,417	-	-	1,417
Shares issued pursuant to exercise of share options (Note 14(b))	175	34	-	-	-	-	34
Fair value of share options exercised (Note 14(b))	-	117	-	(117)	-	-	-
Comprehensive income	-	-	-	-	18,939	1,813	20,752
Balance, December 31, 2010	530,021	\$736,238	\$1,223	\$62,970	(\$141,490)	\$2,021	\$660,962
Share-based compensation expense (Note 14(c))	-	-	-	10	-	-	10
Shares issued pursuant to exercise of share options (Note 14(b))	100	20	-	-	-	-	20
Fair value of share options exercised (Note 14(b))	-	25	-	(25)	-	-	-
Comprehensive loss	-	-	-	-	(1,285)	(138)	(1,423)
Balance, March 31, 2011	530,121	\$736,283	\$1,223	\$62,955	(\$142,775)	\$1,883	\$659,569
Balance, January 1, 2010	529,846	\$736,087	\$4,733	\$56,937	(\$160,429)	\$208	\$637,536
Share-based compensation expense (Note 14(c))	-	-	-	172	-	-	172
Comprehensive income	-	-	-	-	868	348	1,216
Balance, March 31, 2010	529,846	\$736,087	\$4,733	\$57,109	(\$159,561)	\$556	\$638,924

See accompanying notes to the condensed interim consolidated financial statements.

RUSORO MINING LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in thousands of US dollars, except per share amounts)
(Unaudited)



	Three Months Ended	
	March 31, 2011	March 31, 2010
CASH DERIVED FROM (USED IN)		
OPERATING ACTIVITIES		
Net (loss) profit for the period	(\$1,423)	\$1,216
Adjustments for items not involving cash:		
Depreciation and depletion	3,193	2,886
Share-based compensation expense	10	172
Accretion of interest on convertible loan	757	1,155
Unrealized foreign exchange loss (gain)	72	(2,616)
Impairment of property, plant and equipment	707	12
Accretion of decommissioning and restoration provision (Note 11)	515	262
Gain on revaluation of derivative financial liabilities	(2,174)	(205)
Deferred tax recovery	(7,865)	(3,056)
	<u>(6,208)</u>	<u>(174)</u>
Receivables non-current	(1,176)	(359)
Deferred tax assets	(266)	-
Accrual for termination benefits non-current	125	362
Changes in non-cash working capital items (Note 18)	11,720	(4,368)
	<u>4,195</u>	<u>(4,539)</u>
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	(3,256)	(731)
Expenditures on mineral properties	(5,481)	(2,060)
Mineral properties pre-operating revenues	5,035	-
Redemption of short-term investments	-	3,806
	<u>(3,702)</u>	<u>1,015</u>
FINANCING ACTIVITIES		
Cash received from exercise of share options	20	-
	<u>-</u>	<u>-</u>
Impact of foreign exchange rate changes on cash	-	(177)
	<u>-</u>	<u>(177)</u>
INCREASE (DECREASE) IN CASH	513	(3,701)
Cash – beginning of period	4,054	10,420
Cash – end of period	<u>\$4,567</u>	<u>\$6,719</u>

Supplemental cash flow information – Note 18
See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Rusoro Mining Ltd. (“the Company”) was incorporated under the laws of the Province of British Columbia on March 1, 2000. The registered office of the Company’s corporate headquarters is located at 2164 – 1055 Dunsmuir Street, Vancouver, British Columbia, Canada. The principal business activities of the Company are the operation, acquisition, exploration and development of gold mining and mineral properties in Venezuela.

The Company has received mining concessions in Venezuela for the exploration, development and exploitation of alluvial and vein gold. The concessions have been granted by the Venezuelan Ministry of Mines and Basic Industries (“MIBAM”) or by Corporacion Venezolana de Guayana (“CVG”), maturing in 20 to 25 years from initial grant date, with some concessions extendable for two additional subsequent periods of 10 years each.

The Company currently holds interests in two producing gold mines in Venezuela. It holds a 95% ownership interest in the Choco 10 mine (“the Choco Mine”) which was acquired on November 30, 2007 and a 50% ownership interest in the Isidora mine (“the Isidora Mine”) which was acquired on December 23, 2008. The Company operates the Isidora Mine under a joint venture agreement with the Venezuelan government (Note 20). The Company also holds various exploration projects and one development project in Venezuela and a single exploration project in Honduras.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION

The preparation of these condensed interim consolidated financial statements (“interim financial statements”) resulted in changes to the accounting policies as compared to the most recent annual consolidated financial statements prepared under Canadian generally accepted accounting principles (“Canadian GAAP”).

These interim financial statements are the Company’s first International Financial Reporting Standards (“IFRS”) interim financial statements for part of the period covered by the Company’s first IFRS consolidated annual financial statements for the year ending December 31, 2011. These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and IFRS 1, *First Time Adoption of International Financial Reporting Standards*.

The accounting policies set out in note 3 have been applied to all periods presented in these interim financial statements and are based on IFRS as issued by the International Accounting Standards Board (“IASB”) that the Company expects to be applicable for its annual consolidated financial statements for the year ending December 31, 2011.

The Company’s date of transition to IFRS and its opening IFRS consolidated statement of financial position is as at January 1, 2010 (“the transition date”). The comparative consolidated statements of financial position as at January 1, 2010, March 31, 2010 and December 31, 2010 and comparative consolidated statements of comprehensive income for the three months ended March 31, 2010 and year ended December 31, 2010, have been restated under IFRS (Note 24).

These interim financial statements, do not include all disclosure required by IFRS for annual consolidated financial statements and accordingly should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2010 presented under Canadian GAAP.

2. BASIS OF PRESENTATION AND GOING CONCERN ASSUMPTION (Continued)

As these interim financial statements are the Company's first set of financial statements prepared under IFRS, the disclosures contained herein exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and other additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual audited consolidated financial statements prepared in accordance with Canadian GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able to refer to the annual consolidated financial statements for the year ending December 31, 2011, which will be prepared in accordance with IFRS.

These interim financial statements have also been prepared based upon accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. A material uncertainty is the Company's ability to obtain export permits from the Central Bank of Venezuela ("CBV") on a consistent and timely basis. In accordance with CBV laws and regulations, application for and approval of export permits must be done prior to export sales transactions. The inability to obtain such export permits on a consistent and timely basis could cause significant deficiencies in cash resources as a result of decreased cash inflows from gold sales and, therefore, the Company's ability to continue as a going concern.

A debt principal repayment of \$30,000 is due in June 2011, derived from a loan agreement (pursuant to which the Company obtained "the Loan") entered into with a syndicate of private lenders ("the Lenders") in June 2008 and was restructured in June 2010 (Note 12). Management does not believe that cash flows from operations alone will be sufficient to make the required debt principal repayment in June 2011. Subsequent to the date of these interim financial statements, on June 10, 2011, the Company did not perform the repayment of the Loan for \$30,000 (Note 25). The Company is currently holding discussions with the Lenders for the granting of an extension to the Loan repayment period for a sufficient amount of time to allow the Company to complete financing options that it is currently evaluating to fund the retirement of the Loan and general corporate purposes.

The Company believes it has financing options that could generate sufficient cash to service the Company's debt requirement including, but not limited to, the following:

- Issuance of equity or debt securities;
- Selling assets of the Company; and
- Refinancing the Loan all or in part.

There is, however, no assurance that the sources of funding described above will be available to the Company, or that they will be available on terms that are acceptable to the Company. Accordingly, these interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Consolidation

These interim financial statements include the financial statements of the Company, its subsidiaries, and jointly controlled entities. Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the interim financial statements.

The Company has determined that its interests in Minera Venrus C.A. (“Venrus C.A.”), Minera Rusoro Venezolana C.A. (“Minera Rusoro”) and El Callao Gold Mining Company de Venezuela S.C.S. (“El Callao Gold Mining”) qualify as jointly controlled entities. Collectively, these entities constitute a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The joint venture participants are bound by articles of incorporation and bylaws, which establish joint control over the joint venture. The Company has elected to apply the proportionate consolidation method to account for its interests in Venrus C.A., Minera Rusoro and El Callao Gold Mining (Note 20).

The principal subsidiaries, jointly controlled entities, and the Company’s ownership interests therein, are as follows:

Company	Location	Ownership interest	Status
Promotora Minera de Guayana, P.M.G., S.A.	Venezuela	95%	Consolidated
Minera Venrus C.A.	Venezuela	50%	Proportionately Consolidated
Minera Rusoro Venezolana C.A.	Venezuela	50%	Proportionately Consolidated
El Callao Gold Mining Company de Venezuela S.C.S.	Venezuela	50%	Proportionately Consolidated
Proyectos Mineros del Sur, PROMINSUR, C.A.	Venezuela	100%	Consolidated
Corporacion Aurifera de El Callo, C.A.	Venezuela	100%	Consolidated
Corporacion Minera Choco 9 C.A.	Venezuela	100%	Consolidated
Corporacion 80.000 C.A.	Venezuela	100%	Consolidated
Lamin Laboreos Mineros C.A.	Venezuela	100%	Consolidated
Mineria MS C.A.	Venezuela	100%	Consolidated
General Mining de Guayana C.A.	Venezuela	100%	Consolidated
Krysos Mining S.A.	Venezuela	100%	Consolidated
Inversiones Yuruan C.A.	Venezuela	100%	Consolidated
Venezuela Holdings (BVI) Ltd	British Virgin Islands	100%	Consolidated

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein. Similarly, non-controlling interests in the components of comprehensive income are identified separately. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests’ share of changes in equity since the date of the combination. A 5% non-controlling interest exists in Promotora Minera de Guayana, P.M.G., S.A. (“PMG”), which represents the outside interest’s share of the carrying value of PMG, which owns the Choco Mine.

b. Basis of Measurement

These interim financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expenses as set out in the accounting policies below. Certain items, including derivative financial instruments, are stated at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Significant Judgments, Estimates and Assumptions

The preparation of the Company's interim financial statements using accounting policies consistent with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to, the following:

i. Mineral Reserves

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable reserves and measured, indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured, indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, decommissioning and restoration provisions, recognition of deferred tax amounts and depreciation, depletion and amortization.

ii. Purchase Price Allocation

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value.. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves acquired, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities in the purchase price allocation.

iii. Depreciation, Depletion and Amortization

Mining properties are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Property, plant and equipment other than mining properties are depreciated, net of residual value, on a straight-line basis, over the useful life of the related asset to the extent that the useful life does not exceed the related estimated life of the mine based on proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depreciation, depletion and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

iv. Impairment of Mineral Properties and Property, Plant and Equipment

The carrying values of mineral properties and property, plant and equipment are reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of recoverable values may include, and is not limited to, the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of assets could impact the impairment analysis.

v. Inventories

Expenditures incurred, and depreciation, depletion and amortization of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, gold in process and finished gold inventories. These deferred amounts are carried at the lower of average production cost and net realizable value ("NRV"). Write-downs of ore in stockpiles, gold in process and finished gold inventories resulting from NRV impairments are reported as a component of mining operating expenses. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, energy, materials and supplies, as well as realized ore grades and actual production levels.

There is a high degree of judgment in factors such as future costs, future production levels, proven and probable reserves estimates, and gold prices. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

vi. Decommissioning and Restoration Provision

The Company assesses its provision for decommissioning and restoration on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning and restoration provisions requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future decommissioning and restoration provision. The actual future expenditures may differ from the amounts currently provided.

vii. Deferred Taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred tax assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Functional and Presentation Currency and Foreign Currency Translation

As at January 1, 2010, the Company's functional and presentation currency of all of its operations is the US dollar, as this is the principal currency of the economic environments in which they operate. Prior to this date, the functional currency of the Company's Venezuelan subsidiaries, which hold its Choco Mine and Isidora Mine operations, was determined to be the Venezuelan Bolivar Fuerte. However, due to various changes in Venezuelan foreign exchange controls and increased restrictions on gold sales, the Company's business model and customer base were changed in January 2010, thus triggering a change in functional currency to US dollars.

Foreign currency transactions are initially recorded using the foreign currency rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange prevailing at the reporting date.

In 2003, the Venezuelan government implemented foreign exchange controls, which fixed the rate of exchange between the Venezuelan Bolivar ("Bs") and the US dollar. In March 2005, the rate was fixed at Bs 2,150/\$1.00. Effective January 1, 2008, the Venezuelan government changed the name of the currency to the Venezuelan Bolivar Fuerte ("BsF") and modified the currency by fixing the official rate at BsF 2.15/\$1.00. On January 11, 2010, the Venezuelan government modified the currency by fixing the official exchange rate at BsF 4.30/\$1.00 for most goods and services and BsF 2.60/\$1.00 for certain priority items, such as basic foods, medicines and industrial equipment. On January 13, 2011, the rate of BsF 2.60/\$1.00 was eliminated.

In October 2005, the government enacted the Criminal Exchange Law, which imposes sanctions on the exchange of BsF with a foreign currency unless the exchange is made by officially designated methods. The exchange regulations did not apply to transactions with certain securities denominated in BsF, which could be swapped for securities denominated in another currency effectively resulting in a swap market ("Swap Market"), which provided an implicit value for the exchange rate for the BsF/US dollar ("the Implicit Exchange Rate").

The Company used the Implicit Exchange Rate to translate BsF transactions and balances of the Company's subsidiaries up to May 17, 2010. However, effective May 17, 2010, the Venezuelan government enacted the Reform of the Criminal Exchange Law which aimed to regulate the Swap Market. The Reform of the Criminal Exchange Law effectively closed the Swap Market and therefore the Company is no longer able to use the Implicit Exchange Rate to translate BsF transactions and balances.

On June 9, 2010, the Venezuelan government enacted additional reforms to its exchange control regulations and introduced Sistema de Transacciones con Titulos en Moneda Extranjera ("SITME"), a newly regulated foreign exchange system controlled by the CBV. The SITME imposes volume restrictions on the conversion of BsF to US dollars of \$350 per month per Venezuelan entity that meets the SITME requirements; Promotora Minera de Guayana, P.M.G., S.A. ("PMG") is registered with SITME.

Due to SITME volume restrictions and the fact the Company settles the majority of sales of finished gold at the official exchange rate specified by the CBV of BsF 4.30/\$1.00, the Company translated BsF transactions and balances subsequent to May 17, 2010 at the official exchange rate of BsF 4.30/\$1.00.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

f. Short-term Investments

Short-term investments include highly liquid investments with an original term of one year or less, but greater than three months.

g. Inventories

Finished gold (doré form), gold in process and gold in stockpile are valued at the lower of average production cost and NRV. Doré represents a bar containing predominantly gold by value which must be refined offsite to return saleable form. NRV is calculated as the estimated selling price to be obtained from sale of the inventory in the normal course of business, less estimated future production costs to convert inventories into saleable form. Production costs of inventories are determined on a weighted average basis and include all direct and indirect costs, including depletion and depreciation of mining properties and mining plant and equipment.

Materials and supplies are valued at the lower of average cost and NRV.

Write-down of inventory is recognized as an expense in profit or loss in the period the write-down occurs. Reversal of any write-down of inventory, arising from an increase in NRV, is recognized in profit or loss as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

h. Mineral Exploration, Evaluation and Development Expenditures

Mineral properties are comprised of the expenditures incurred on the Company's pre-production assets, namely exploration and evaluation properties and development-stage assets.

Mineral properties arise from activities involving the search for and development of mineral resources, the determination of technical feasibility and the assessment of commercial viability for an identified resource. Mineral properties include:

- Researching and analyzing historical exploration data;
- Gathering exploration data through topographical, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling;
- Determining and examining the volume and grade of the resources;
- Surveying transportation and infrastructure requirements; and
- Conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area or development are recorded as an expense in profit or loss. All direct costs related to the acquisition, exploration, and development of mineral resources are capitalized when future benefit is probable and the cost is reliably estimated. No depletion or depreciation is charged on mineral properties until the assets are ready for their intended use.

If economically recoverable reserves are developed, the capitalized costs of the mineral property are reclassified as a mining property, which is included in property, plant and equipment, following the commencement of commercial production.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment

i. Mining Properties

Once a mineral property has been brought into commercial production and becomes a mining property, costs of any additional work on that property are expensed as incurred, with the exception of large development programs, which will be deferred and depleted over the remaining useful life of the related assets. Mine properties include deferred stripping costs and environmental rehabilitation and decommissioning and restoration costs related to the reclamation and remediation of mining properties.

Mining properties, net of residual value, are depreciated using the UOP method based on proven and probable reserves.

Exploration and development expenditures incurred at mining properties are expensed as incurred, unless the purpose of the expenditures is to convert mineral resources into mineral reserves, or in the absence of a mineral resource estimate, is to define areas to be included in the mine plan. Any amounts deferred in this regard are depreciated through the UOP method based upon the resulting mineral reserves.

ii. Other Assets

Other items of property, plant and equipment, such as mining facilities and machinery, are recorded at cost, and carried net of accumulated depreciation and depletion and accumulated impairment charges. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and the estimated future cost of site reclamation and remediation, when applicable. Where an item of plant and equipment comprises major components with significantly different useful lives, the components are accounted for as separate items of plant and equipment.

An item of plant and equipment is derecognized upon disposal, or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on disposal of the asset, determined as the difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Major overhaul expenditures, including replacement spares and labour costs, are capitalized and depreciated over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance are recorded as an expense in profit or loss as incurred if it is not probable that future economic benefit will flow to the Company.

Property, plant and equipment other than mining properties are depreciated on a straight-line basis, net of residual value, over the estimated useful life of the asset as follows:

Mining plant and equipment	2 - 33 years
Office and computer equipment	2 - 4 years

The estimated useful life, residual values and depreciation methods are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

No depreciation is charged on property, plant and equipment until the assets are ready for their intended use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Impairment of Non-financial Assets

The Company's mineral properties and property, plant and equipment are reviewed for indicators of impairment at each reporting date. If indication of impairment exists, an estimate of the asset's recoverable amount is calculated, being the higher of fair value less costs to sell and value in use. If the carrying value of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recorded in profit or loss to reduce the asset's carrying amount to its recoverable amount.

Value in use is determined as the present value of the estimated future pre-tax cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal, discounted by an appropriate pre-tax discount rate. In regards to an asset's fair value less costs to sell, when there is no binding sales agreement or active market for the asset, the Company determines the fair value less costs to sell based on the best information available to reflect the amount that the Company could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. Estimated cash flows are based on factors such as expected future production, metal selling prices, operating costs and capital costs.

In testing for indications of impairment and performing impairment calculations, if it is not possible to estimate the recoverable amount of an asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When the impairment assessment is performed at the level of a cash-generating unit, the allocation of an impairment loss, if any, to a particular cash-generating unit is made on a pro-rata basis on the carrying amounts of the assets of the cash-generating unit at the reporting date.

An impairment loss is reversed if there is an indication that the impairment loss recognized in prior periods may no longer exist or may have decreased, which may be caused by a change in the estimates used in determining the recoverable amount. When an impairment loss reverses in a subsequent period, the carrying amount of the related asset is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. Reversals of impairment losses are recognized in profit or loss in the period the reversals occur.

k. Borrowing Costs

The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use. Capitalization begins when interest is incurred, expenditures are incurred and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Capitalized borrowing costs are amortized over the useful life of the related asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Stripping Costs

Stripping costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the cost of inventories produced in the period in which they are incurred, except when the charges represent a betterment to the mining property. Charges represent a betterment to the mining property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are depleted over the proven and probable reserves accessed by the stripping activity using the UOP method.

m. Accrual for Termination Benefits

The Company's Venezuelan subsidiaries accrue liabilities for their workers' termination benefits, which are payable when the working relationship between the employer and an employee comes to a close. Termination benefits are an acquired right of the worker based on the provisions of the Organic Labour Law ("OLL") and the collective bargaining agreements currently in effect. The OLL and the collective bargaining agreements also call for additional benefits that are applicable under certain circumstances and the Company has recorded an additional accrual for such liabilities.

n. Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured as the expenditure expected to be required to settle the obligation at the reporting date. In cases where it is determined that the effects of the time value of money are significant, the provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase of the provision due to the passage of time is recognized as a financing expense included within other expenses.

i. Decommissioning and Restoration Provision

The Company records a provision and corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation, remediation and closure where the outflow of resources is probable and a reliable estimate can be made of the obligation. Over time, the provision is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement. The capitalized cost in the asset is amortized using either the UOP method or the straight-line basis, as appropriate. The estimated present value of the obligation is reassessed on an annual basis or when new material information becomes available. Increases or decreases to the obligation usually arise due to changes in legal or regulatory requirements, the extent of environmental remediation required, methods of reclamation, cost estimates, or discount rates.

Changes to the decommissioning and restoration provision are recorded with an offsetting change to the related asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Interest in Joint Ventures

The Company conducts a portion of its business through joint venture arrangements whereby the joint venture participants are bound by contractual agreements establishing joint control. Joint control exists when unanimous consent of the joint venture participants is required regarding strategic financial and operating policies of the joint venture.

The Company's interest in joint ventures takes the form of jointly controlled entities. A jointly controlled entity is a corporation or other entity in which each joint venture participant holds an interest. A jointly controlled entity controls the assets of the joint venture, earns its own income, and incurs its own liabilities and expenses. The Company has chosen to account for its interest in joint ventures using the proportionate consolidation method, whereby the Company's proportionate interest in the assets, liabilities, revenues and expenses of the jointly controlled entities are recognized within each applicable line of its consolidated financial statements. Proportionate consolidation of the jointly controlled entities' results has been recognized in the Company's consolidated financial statements from the date the Company obtained joint control and will cease when the Company loses joint control.

Intercompany transactions between the Company and the jointly controlled entities are eliminated upon consolidation to the extent of the Company's interest.

p. Convertible Loan

The convertible loan was initially recorded at fair value and subsequently measured at amortized cost. The convertible loan is allocated between the debt and equity components based on their respective fair values at the date of issuance and is recorded net of transaction costs. The equity component is estimated using the residual method and the debt component is accreted to the face value using the effective interest method, with the resulting charge recorded as accretion on convertible loan, which is included in interest on convertible loan in profit or loss.

In instances where the Company issues equity instruments to settle all or a part of the outstanding debt, the equity instruments are treated as consideration paid and are measured initially at fair value of the equity instruments issued, or when not reliably measurable, at the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss. If the financial liability is not fully extinguished, and terms related to the remaining portion have been modified, the Company allocates the consideration paid between the extinguished portion and the modified portion.

q. Income Tax

The tax expense or benefit for the period consists of two components: current and deferred. Tax expense is recognized in profit or loss except to the extent it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or in other comprehensive income, respectively.

Current tax assets and liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases, unused tax credits and unused tax losses. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of deferred tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

r. Share Capital

Share capital issued for other than cash is valued at the price at which the stock trades at the time the risks and rewards of ownership of the asset are transferred to the Company or the Company's liability is extinguished.

Share issuance costs, such as commissions, facilitation payments, professional fees and regulatory fees are charged directly to share capital.

s. Revenue Recognition

Revenue from the sale of finished gold is recognized when all of the following conditions are satisfied:

- Shipment of finished gold, when the title and the risks and rewards of ownership have been passed to the buyer;
- The Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the finished gold sold;
- The selling price can be reliably measured;
- It is probable that economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

t. Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received are not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value based method (Black-Scholes Option-Pricing model) for all share options granted to directors, employees and certain non-employees. In this model, expected volatility is determined from historical volatility, adjusted for normalizing factors. For directors and employees, the fair value of the share options is measured at the date of grant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or the related asset as applicable, such as mineral properties or property, plant and equipment, with the offsetting credit to contributed surplus. For directors and employees, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in contributed surplus.

u. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the period attributable to the equity shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated using the treasury stock method which, for purposes of determining the weighted average number of shares outstanding, assumes that the proceeds to be received on the exercise of the share options and warrants are applied to repurchase common shares at the average market price for the period. Outstanding options, warrants and the equity component of the convertible loan are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

v. Financial Instruments

The Company's financial instruments consist of cash, short-term investments, receivables, accounts payable and accrued liabilities, convertible loan, and derivative financial liabilities. Short-term investments are classified as available-for-sale and measured at fair value. Cash and receivables are classified as loans and receivables and measured at amortized cost using the effective interest method.

Accounts payable and accrued liabilities and convertible loan are classified as other financial liabilities and measured at amortized cost using the effective interest method. Share purchase warrants with an exercise price denoted in a foreign currency (other than US dollars) are considered derivative financial liabilities, and are revalued at each reporting period end. Upon exercise into common shares, the carrying amounts of warrants included in derivative financial liabilities are reclassified to issued capital.

Gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income. The fair value of a monetary available-for-sale financial asset denominated in a foreign currency is translated at the spot rate at the reporting date. For monetary available-for-sale financial assets, exchange difference due to a change in amortized cost of the asset is recognized in profit or loss, while all other changes are recognized in other comprehensive income. For non-monetary available-for-sale financial assets, the gain or loss that is recognized in other comprehensive income includes any related foreign exchange component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets are assessed for indicators of impairment at each reporting period end. Financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been negatively impacted, and this impact can be reliably estimated.

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expires; or
- The Company transfers the financial asset and all risks and rewards of ownership to another entity.

Borrowings and other financial liabilities, other than derivative financial liabilities, are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between amounts originally received (net of transaction costs) and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Borrowings and accounts payable and accrued liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least twelve months after the reporting date.

According to the substance of the related contractual arrangements, the instruments arising from transactions involving financial liabilities and/or equity instruments are either accounted for as debt or equity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to profit or loss using the effective interest method.

w. Business Combinations

A business combination is a transaction or other event in which control over one or more businesses is obtained. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits. A business consists of inputs and processes applied to those inputs that have the ability to create outputs that provide a return to the Company and its shareholders. A business need not include all of the inputs and processes that were used by the acquiree to produce outputs if the business can be integrated with the inputs and processes of the Company to continue to produce outputs. If the integrated set of activities and assets is in the exploration and development stage, and thus, may not have outputs, the Company considers other factors to determine whether the set of activities and assets is a business. Those factors include, but are not limited to, whether the set of activities and assets:

- Has begun planned principal activities;
- Has employees, intellectual property and other inputs and processes that could be applied to those inputs; and
- Is pursuing a plan to produce outputs.

Not all of the above factors need to be present for a particular integrated set of activities and assets in the development stage to qualify as a business.

Business acquisitions are accounted for using the acquisition method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill and allocated to cash-generating units.

Non-controlling interest in an acquisition may be measured at either fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net identifiable assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain in profit or loss.

Acquisition related costs are expensed during the period in which they are incurred, except for the cost of debt or equity instruments issued in relation to the acquisition which is included in the carrying amount of the related instrument.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

x. Segment Reporting

In identifying its operating segments, management generally follows the Company's activities. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The activities are undertaken by the mine operating segments, the Choco Mine and Isidora Mine, and the exploration and development segment, which are supported by the corporate segment.

Each segment is managed separately. The operating results of the segments are reviewed regularly by the Company's senior management (who is comprised of the key strategic leaders of the Company) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

a. Accounting Standards Issued and Effective January 1, 2012

IAS 12, *Income Taxes* (Amended), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7, *Financial Instruments: Disclosures* (Amended), requires additional disclosures on transferred financial assets.

b. Accounting Standards Issued and Effective January 1, 2013

IFRS 9, *Financial Instruments*, replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

4. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- Requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- Defines the principle of control, and establishes control as the basis for consolidation;
- Sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- Sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 supersedes IAS 27 and SIC-12, *Consolidation – Special Purpose Entities*.

IFRS 11, *Joint Arrangements*, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, *Disclosure of Involvement with Other Entities*, requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, *Fair Value Measurement*, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, *Share-based Payment*;
- Leasing transactions within the scope of IAS 17, *Leases*; and
- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

IAS 27, *Separate Financial Statements*, has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28, *Investments in Associates and Joint Ventures*, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

5. RECEIVABLES

	March 31, 2011	December 31, 2010	January 1, 2010
Non-financial assets			
VAT receivable (a)	\$17,477	\$23,129	\$12,943
Non-current VAT receivable (b)	15,767	14,591	12,335
Current, non-financial receivable	1,710	8,538	608
Financial assets			
Trade receivable (c)	1,527	2,311	-
Receivable from mining contractor (d)	-	-	1,172
Other receivables (e)	2,670	1,623	2,079
Receivables from related companies (Note 16)	283	283	204
Financial receivables	4,480	4,217	3,455
Non-current receivable from mining contractor (f)	-	-	706
Current, financial receivables	4,480	4,217	2,749
Total current receivables	\$6,190	\$12,755	\$3,357
Total non-current receivables	\$15,767	\$14,591	\$13,041

- a) VAT receivable relates to value added tax ("VAT") paid in Venezuela that is recoverable from the requisite authorities. VAT receivable includes an allowance for doubtful collection of \$3,134 (December 31, 2010: \$3,134; January 1, 2010: \$969). During the three months ended March 31, 2011, the Company recorded an allowance for VAT receivable of \$Nil (three months ended March 31, 2010: \$Nil) in other expenses.
- b) Non-current VAT receivable relates to VAT receivable that management estimates will not be recovered for at least twelve months from the reporting date.
- c) Trade receivable relates to the sale of gold to the CBV. As at March 31, 2011, \$Nil of the receivable balance was past due (December 31, 2010: \$Nil; January 1, 2010: \$Nil).
- d) Receivable from mining contractor relates to the sale of mining-fleet spare-part inventories and certain payroll recoverable from the mining contractor.
- e) Other receivables relates to HST receivable and to sundry receivables from a mining contractor in relation to services performed at one of the Company's mineral properties.
- f) Non-current receivable from mining contractor relates to the sale of mining-fleet spare-part inventories and certain payroll recoverable from the mining contractor that management estimates will not be collected for at least twelve months from the reporting date.

6. INVENTORIES

	March 31, 2011	December 31, 2010	January 1, 2010
Finished gold	\$6,347	\$11,351	\$37,858
Gold in process	1,934	3,143	2,226
Gold in stockpile	17,883	16,021	6,754
Materials and supplies	7,571	7,654	6,147
	\$33,735	\$38,169	\$52,985

As at March 31, 2011, December 31, 2010 and January 1, 2010, all inventories were recorded at the lower of average cost and NRV.

7. PROPERTY, PLANT AND EQUIPMENT

	Mining Properties	Mining Plant and Equipment	Office and Computer Equipment	Construction in Progress	Total
Cost					
At December 31, 2010	\$564,597	\$99,442	\$381	\$5,710	\$670,130
Additions	1,269	1,656	-	309	3,234
Impairments	(402)	-	-	(305)	(707)
At March 31, 2011	<u>565,464</u>	<u>101,098</u>	<u>381</u>	<u>5,714</u>	<u>672,657</u>
Accumulated depreciation, depletion and impairment					
At December 31, 2010	12,442	28,675	221	-	41,338
Depreciation and depletion	518	2,522	16	-	3,056
At March 31, 2011	<u>12,960</u>	<u>31,197</u>	<u>237</u>	<u>-</u>	<u>44,394</u>
Carrying Amount					
At March 31, 2011	<u>\$552,504</u>	<u>\$69,901</u>	<u>\$144</u>	<u>\$5,714</u>	<u>\$628,263</u>

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Mining Properties	Mining Plant and Equipment	Office and Computer Equipment	Construction in Progress	Total
Cost					
At January 1, 2010	\$562,229	\$94,279	\$381	\$4,589	\$661,478
Additions	2,632	6,395	-	1,121	10,148
Impairments	(264)	(1,232)	-	-	(1,496)
At December 31, 2010	<u>564,597</u>	<u>99,442</u>	<u>381</u>	<u>5,710</u>	<u>670,130</u>
Accumulated depreciation, depletion and impairment					
At January 1, 2010	9,259	20,541	134	-	29,934
Depreciation and depletion	3,183	8,134	87	-	11,404
At December 31, 2010	<u>12,442</u>	<u>28,675</u>	<u>221</u>	<u>-</u>	<u>41,338</u>
Carrying Amount					
At January 1, 2010	552,970	73,738	247	4,589	631,544
At December 31, 2010	<u>\$552,155</u>	<u>\$70,767</u>	<u>\$160</u>	<u>\$5,710</u>	<u>\$628,792</u>

Construction in progress relates to upgrades to the Choco Mine mill, equipment construction, and tailing dams being built at the Choco Mine. Upon completion, such costs net of residual value will be depreciated over their estimated useful life.

8. MINERAL PROPERTIES

	San Rafael		Other			Total
	El Placer	Increible 6	El Callao	Valle Hondo	Properties	
Balance, January 1, 2010	\$34,269	\$49,540	\$137,382	\$17,304	\$9,004	\$247,499
Exploration and development costs	15,946	2,389	-	62	259	18,656
Balance, December 31, 2010	50,215	51,929	137,382	17,366	9,263	266,155
Exploration and development costs	4,294	758	-	196	69	5,317
Pre-operating revenue	(5,035)	-	-	-	-	(5,035)
Balance, March 31, 2011	<u>\$49,474</u>	<u>\$52,687</u>	<u>\$137,382</u>	<u>\$17,562</u>	<u>\$9,332</u>	<u>\$266,437</u>

The Company holds mineral rights for a group of projects in Bolivar State, southern Venezuela and for a single project in Honduras.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011	December 31, 2010	January 1, 2010
<i>Financial liabilities (a)</i>			
Accounts payable	\$13,680	\$19,804	\$7,555
Accrued liabilities	40,856	29,692	15,241
Accrual for termination benefits	4,948	4,273	2,135
Accrual for interest on convertible loan (Note 12)	171	175	350
Current portion of decommissioning and restoration provision (Note 11)	865	790	202
Due to related parties (Note 16)	321	309	96
	<u>\$60,841</u>	<u>\$55,043</u>	<u>\$25,579</u>

a) No account payable or accrued liability identified as a non-financial liability.

10. DEFERRED REVENUE

The Company received \$6,973, which represents full payment for the future delivery of six thousand five hundred ounces of finished gold and the commitment to issue 12,355 share purchase warrants (Note 13). The Company was originally required to deliver this finished gold prior to January 11, 2011. During the year ended December 31, 2010, the transaction was amended for future delivery of six thousand five hundred ounces of finished gold to occur over the six months ended June 2011. In exchange, the Company has committed to delivering an additional eight hundred ounces of finished gold in July 2011. In relation to the Company's commitment to issuing 12,355 share purchase warrants (Note 13), the \$330 value associated with these committed share purchase warrants has been deducted from the \$6,973. In February 2011, the Company paid the client a portion of the amount owing in US dollars in lieu of delivery of ounces (as permitted by the client) for a total of \$711.

11. DECOMMISSIONING AND RESTORATION PROVISION

Decommission and restoration provisions are comprised of costs associated with environmental rehabilitation. These costs have been estimated based on the Company's interpretation of current regulatory requirements and have been measured at the net present value of future cash expenditures upon reclamation and closure using the information currently available.

Costs associated with decommissioning and restoration are capitalized depending on the nature of the asset related to the obligation and depreciated over the life of the asset.

The decommissioning and restoration provision relates to reclamation and closure costs of the Company's operating Choco Mine and Isidora Mine, as well as to some of the exploration and development activities undertaken on the Company's mineral properties. The undiscounted estimated inflation-adjusted future cash flows required to settle the environmental rehabilitation obligation incurred to March 31, 2011 and December 31, 2010 are approximately \$64,667 (January 1, 2010: \$37,273), which are expected to be expended between 2011 and 2024.

11. DECOMMISSIONING AND RESTORATION PROVISION (Continued)

As at March 31, 2011 and December 31, 2010, these cash flows have been discounted using a pre-tax rate reflective of the time value of money, inflation, and the risks specific to the liability of 45.1% (January 1, 2010: 44.4%), which includes an embedded inflation rate of approximately 27.0% (January 1, 2010: 27.0%), reflective of inflation in Venezuela, the country of the currency in which the obligation will be ultimately settled.

In view of the uncertainties concerning decommissioning and restoration, the ultimate cost of reclamation, remediation and closure activities could differ materially from the estimated amount recorded. The estimate of the Company's decommissioning and restoration provision is subject to change based on amendments to laws and regulations and as new information regarding the Company's operations becomes available.

Future changes, if any, to the provision as a result of amended requirements, laws, regulations, operating assumptions, estimated timing and amount of obligations may be significant and would be recognized prospectively as a change in accounting estimate. Any such change would result in an increase or decrease to the provision and a corresponding increase or decrease to the mineral property and/or property, plant and equipment balance(s).

	March 31, 2011	December 31, 2010
Balance, beginning of period/year	\$5,281	\$2,623
Change in estimate of future costs	-	921
Accretion expense	515	1,341
Settled in period	-	(169)
Incurred in period	-	565
Balance, end of period/year	5,796	5,281
Less: current portion of decommissioning and restoration provision, included in accounts payable and accrued liabilities (Note 9)	865	790
Non-current decommissioning and restoration provision	\$4,931	\$4,491

As at January 1, 2010, the current portion and non-current portion of decommissioning and restoration provision is \$202 and \$2,421, respectively.

12. CONVERTIBLE LOAN

On June 10, 2008, the Company entered into the Loan to fund the acquisition of El Callao Gold Mining Ltd. and Drake-Bering Holdings B.V. including their wholly-owned subsidiaries Minera Rusoro Venezolana C.A. ("Minera Rusoro") and El Callao Gold Mining Company de Venezuela S.C.S. ("El Callao Gold Mining") from Hecla Mining Company and for general corporate purposes. Under the original terms, the Loan had a two-year term, a contractual rate of interest of 10% per annum and was secured by share pledges over the Company's principal assets including the Choco Mine and the San Rafael El Placer and Incredible 6 mineral properties (Note 8) but excluded the Isidora Mine. Under the original terms, the Lenders had the option, at any time and at their sole discretion, to convert all or part of the outstanding principal of the Loan to common shares of the Company at a conversion price of \$1.07 (subject to adjustment depending on future equity financings and other transactions entered into by the Company). In addition, the Company has granted to the Lenders pro-rata participation in any future equity offerings for the term of the Loan.

12. CONVERTIBLE LOAN (Continued)

For accounting purposes, the Loan contains both a liability component and an equity component, being the Lenders' conversion option to shares, which have been separately presented on the consolidated statement of financial position. The Company allocated the original \$80,000 principal of the Loan to the liability and equity components by establishing the fair value of the liability component at the date of issue and then allocating the remaining balance of the net proceeds to the equity component.

The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 15% for a debt instrument of similar maturity and credit quality but without any share conversion option for the Lenders. Including the impact of the costs of issuance, applying the effective interest method, the liability component of the Loan bore an effective annual interest rate of 18.5%.

On November 12, 2009, the Company purchased \$20,000 of the principal amount of the Loan and related accrued interest of \$847 for \$17,754, including professional fees. The Company recorded a gain on repurchase of convertible loan in profit or loss of \$2,206.

This gain was calculated as the difference between the amortized cost and the fair value of the liability component of the portion of the Loan which was repurchased. The \$1,577 equity component relating to the 25% principal portion of the Loan which was repurchased was transferred to deficit in the consolidated statement of financial position. The \$60,000 remaining principal portion of the Loan was due in June 2010.

On June 10, 2010, the original due date of the Loan, the Company made a \$17,000 principal payment and restructured the remaining \$43,000 principal portion of the Loan. The restructured terms required the Company to make a second principal payment of \$13,000 including accrued interest at a contractual rate of 10% per annum on or before July 10, 2010 (paid on June 22, 2010) and a final principal payment of \$30,000 ("the Reduced Principal") on or before June 10, 2011. The Reduced Principal bears interest at a contractual rate of 10% per annum (effective annual interest rate of 21.1% including costs of restructuring) and interest is payable quarterly. Based on the restructured terms, the conversion price of the Reduced Principal was adjusted to \$0.40 (subject to adjustment depending on future equity financings and other transactions entered into by the Company), the Company issued 30,000 warrants (Note 13) to the Lenders and the Company can repay the Loan at any time by repaying the outstanding principal in full, plus interest accrued to the repayment date. All other terms of the Loan remain unchanged.

Loan restructuring costs include the \$873 fair value of the 30,000 warrants issued (Note 13) and other costs of \$842. As a result of the restructuring, the carrying value of the equity component of the convertible loan of \$4,733 was eliminated against contributed surplus to recognize the modification of the Loan. To recognize the modified fair value of the conversion option to shares of the convertible loan after restructuring, the liability component of the Loan was reduced by \$1,223, with a corresponding increase in the equity component of the convertible loan.

As at June 29, 2011, the Company is in default of the Loan, as the \$30,000 repayment required on June 10, 2011 was not made. The Company is currently evaluating alternate financing options to fund the retirement of the Loan and for general corporate purposes.

12. CONVERTIBLE LOAN (Continued)

	March 31, 2011	December 31, 2010
Equity component, beginning of period/year	\$1,223	\$ 4,733
Extinguishment of conversion option to shares	-	(4,733)
Modification of conversion option to shares	-	1,223
Equity component, end of period/year	<u>\$1,223</u>	<u>\$1,223</u>
Liability component, beginning of period/year	\$ 28,631	\$ 57,935
Accretion of interest	757	3,634
Loan repayments	-	(30,000)
Decrease in fair value at the time of restructuring	-	(1,223)
Loan restructuring costs	-	(1,715)
Liability component, end of period/year	<u>\$29,388</u>	<u>\$ 28,631</u>

13. DERIVATIVE FINANCIAL LIABILITIES

a. Share Purchase Warrants Issued With Foreign Currency Exercise Prices

The share purchase warrants issued with foreign currency exercise prices (all being denominated in the Canadian dollar (C\$)) as at March 31, 2011, December 31, 2010 and January 1, 2010 were as follows:

	Warrants	Weighted Average Exercise Price (C\$)	Financial Liability
Balance, January 1, 2010	102,967	4.11	\$324
Issued	30,000	0.40	1,332
Change in fair value	-	-	(472)
Balance, December 31, 2010	<u>132,967</u>	<u>3.27</u>	<u>1,184</u>
Issued (Note 13(b))	12,355	0.40	2,817
Change in fair value	-	-	(2,083)
Balance, March 31, 2011	<u>145,322</u>	<u>3.03</u>	<u>\$1,918</u>

On August 13, 2010, the Company issued 30,000 share purchase warrants to the Lenders as a result of restructuring the Loan (Note 12). On March 17, 2011, the Company issued 12,355 share purchase warrants to a gold buyer (Note 10). These share purchase warrants were committed to the gold buyer during the year ended December 31, 2010 (Note 13(b)).

The fair value of the issued share purchase warrants with foreign currency exercise prices was estimated on the date of grant using the Black-Scholes Option-Pricing model with the following weighted average assumptions:

	2011	2010
Assumptions		
Dividend yield	-	0%
Annualized volatility	-	57%
Risk-free interest rate	-	1.81% - 1.82%
Expected life (years)	-	1.4 - 1.6
Weighted average fair value per share purchase warrant	-	\$0.03

13. DERIVATIVE FINANCIAL LIABILITIES (Continued)

The following share purchase warrants with foreign currency exercise prices were outstanding as at March 31, 2011:

Number of Share Purchase Warrants Outstanding and Exercisable	Exercise Price (C\$)	Expiry Date
12,355	0.40	November 10, 2011
30,000	0.40	December 10, 2011
9,217	5.25	March 4, 2012
93,750	4.00	November 30, 2012
145,322		

b. Share Purchase Warrants Committed With Foreign Currency Exercise Prices

The share purchase warrants committed with foreign currency exercise prices as at March 31, 2011, December 31, 2010 and January 1, 2010 were as follows:

	Warrants	Weighted Average Exercise Price (C\$)	Financial Liability
Balance, January 1, 2010	-	-	\$-
Share purchase warrants committed	12,355	0.40	873
Change in fair value	-	-	1,944
Balance, December 31, 2010	12,355	0.40	2,817
Issuance of share purchase warrants committed (Note 13(a))	(12,355)	0.40	(2,817)
Balance, March 31, 2011	-	-	\$-

During 2010, the Company committed to issuing 12,355 share purchase warrants to a gold buyer as an inducement related to an advance for the delivery of finished gold ounces (Note 10). The exercise price of the warrants committed is C\$0.40 and the expiry date is November 10, 2011. These share purchase warrants became exercisable on issuance and as at December 31, 2010 were pending regulatory approval. On March 17, 2011, these committed share purchase warrants were issued.

The fair value of the committed share purchase warrants with foreign currency exercise prices was estimated on the date of grant using the Black-Scholes Option-Pricing model with the following weighted average assumptions:

Assumptions	2011	2010
Dividend yield	-	0%
Annualized volatility	-	57%
Risk-free interest rate	-	1.81%
Expected life (years)	-	1.4
Weighted average fair value per share purchase warrant committed	-	\$0.03

14. EQUITY

a. Authorized Share Capital of the Company

Unlimited number of common shares without par value.

b. Issued Capital

	Number of Shares	Amount
Balance, January 1, 2010	529,846	\$736,087
Shares issued pursuant to exercise of share options	175	34
Fair value of share options exercised	-	117
Balance, December 31, 2010	530,021	736,238
Shares issued pursuant to exercise of share options	100	20
Fair value of share options exercised	-	25
Balance, March 31, 2011	530,121	\$736,283

c. Share-based Payments

The Company has a share option plan available to its directors, officers, consultants and key employees under which the Company may grant options to acquire a maximum number of common shares equal to up to 10% of the total issued and outstanding common shares of the Company. Options are non-transferable and may have a term of up to 10 years from the date of issue. Amount of options, vesting terms, conditions and exercise price are determined by the board of directors at the time of grant.

The following share options were outstanding and exercisable at March 31, 2011:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Options Outstanding and Exercisable	Weighted Average Exercise Price
C\$0.20 – C\$0.27	10,083	C\$0.20	8.03	9,828	C\$0.20
C\$0.60	15,230	C\$0.60	7.83	15,230	C\$0.60
C\$1.31 – C\$1.55	15,345	C\$1.31	7.13	15,345	C\$1.31
C\$2.12 – C\$2.30	7,150	C\$2.19	5.82	7,150	C\$2.19
\$3.00	1,600	\$3.00	5.31	1,600	\$3.00
	<u>49,408</u>	<u>\$1.07</u>	<u>7.28</u>	<u>49,153</u>	<u>\$1.08</u>

14. EQUITY (Continued)

Share option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2010	51,146	\$1.32
Issued	5,527	0.19
Forfeited	(6,966)	2.28
Exercised	(175)	0.20
Outstanding, December 31, 2010	49,532	1.05
Forfeited	(24)	0.67
Exercised	(100)	0.21
Outstanding, March 31, 2011	49,408	\$1.07

The weighted average share price for share options exercised during the three months ended March 31, 2011 was C\$0.35.

The fair value of the share options granted was estimated on the date of grant using the Black-Scholes Option-Pricing model with the following weighted average assumptions:

Assumptions	2011	2010
Dividend yield	-	0%
Annualized volatility	-	55% - 59%
Risk-free interest rate	-	1.31% - 2.87%
Expected life (years)	-	2 - 10
Weighted average fair value per option	-	\$0.13

No share options have been granted during the three months ended March 31, 2011. During the year ended December 31, 2010, the Company amended the exercise price of 4,844 share options with original exercise prices ranging from C\$0.60 - \$3.00 to C\$0.20.

d. Share Purchase Warrants Issued

The share purchase warrants as at March 31, 2011 and December 31, 2010 were as follows:

	March 31, 2011		December 31, 2010	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Balance outstanding, beginning of period	5,833	\$3.35	5,833	\$3.35
Warrants issued	-	-	-	-
Balance outstanding, end of period	5,833	\$3.35	5,833	\$3.35

As at March 31, 2011, December 31, 2010 and January 1, 2010, there is no value associated to these share purchase warrants.

14. EQUITY (Continued)

The following share purchase warrants, including share purchase warrants denominated in a foreign currency (Note 13), were outstanding as at March 31, 2011:

Number of Share Purchase Warrants Outstanding and Exercisable	Exercise Price	Expiry Date
5,833	\$3.35	November 7, 2011
12,355	C\$0.40	November 10, 2011
30,000	C\$0.40	December 10, 2011
9,217	C\$5.25	March 4, 2012
93,750	C\$4.00	November 30, 2012
<u>151,155</u>		

15. MINING OPERATING EXPENSES

	Three months ended	
	March 31, 2011	March 31, 2010
Raw materials	\$2,563	\$2,054
Salaries and employee benefits	11,308	5,176
Administrative expenses	2,266	2,231
Royalties and production taxes	1,936	819
Rental of machinery	4,899	5,202
Consulting fees	696	691
Tools and spare parts	1,286	1,150
Change in inventories	3,584	(3,777)
Impairment of inventories	1,201	-
Other	404	(23)
	<u>\$30,143</u>	<u>\$13,523</u>

16. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company (including its subsidiaries) and other related parties are disclosed below.

The nature of transactions undertaken and the relationships with related parties of the Company are as follows:

	Relationship with the Company	Nature of Transactions
Company A	An officer/director of the Company and a director of the Company are also an officer and director, respectively, of Company A.	Machinery and facilities rental and provision of general mining-related services.
Company B	A director of the Company is also a partner of Company B.	Provision of legal services.

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses and transactions with related parties have been measured at the price agreed between the parties, which is determined on a cost recovery basis.

16. RELATED PARTY TRANSACTIONS (Continued)

	Notes	Three months ended	
		March 31, 2011	March 31, 2010
Machinery rental and provision of general mining-related services	(a)	\$78	\$54
Facilities rental	(b)	27	28
Provision of legal services	(c)	159	39
		<u>\$264</u>	<u>\$121</u>

- a) Included in mining operating expenses is \$60 (three months ended March 31, 2010: \$Nil) and included in amounts capitalized as mineral properties is \$18 (three months ended March 31, 2010: \$54) related to rental of machinery from, and the provision of general mining-related services by, Company A.
- b) Included in general and administrative expenses is \$27 (three months ended March 31, 2010: \$28) related to the rental of the Caracas office from Company A.
- c) Included in general and administrative expenses are professional fees paid to Company B for \$137 (three months ended March 31, 2010: \$Nil) in relation to the fees associated with expanding production facilities, and \$22 (three months ended March 31, 2010: \$39) in relation to other legal matters.

Included in receivables (Note 5) are amounts owed from Company A of \$Nil (December 31, 2010: \$283). These amounts are unsecured, non-interest bearing and have no set terms of repayment.

Included in accounts payable and accrued liabilities (Note 9) are amounts due to Company A and B for \$321 (December 31, 2010: \$309). These amounts are unsecured, due on demand and non-interest bearing.

17. CAPITAL MANAGEMENT DISCLOSURES

The Company defines the capital that it manages as its equity, excluding non-controlling interests, and convertible loan. The Company's objectives when managing capital are to:

- Provide an adequate return to shareholders;
- Provide adequate and efficient funding for operations;
- Support any expansion plans;
- Continue the exploration and development of its mineral properties; and
- Maintain a capital structure, which optimises the cost of capital at acceptable risk.

The Company satisfies its capital requirements through management of its cash and short-term investments and by using debt or equity issues, as necessary, based on the economic conditions and risk characteristics associated with the Company's underlying assets.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2011.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended	
	March 31, 2011	March 31, 2010
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Receivables	\$6,565	(\$331)
Inventories	4,434	(8,659)
Prepaid expenses and deposits	(4,630)	(2,334)
Accounts payable and accrued liabilities	6,062	6,956
Deferred revenue	(711)	-
	\$11,720	(\$4,368)
CHANGES IN NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accounts payable and accrued liabilities – Expenditures on mineral properties	(\$390)	(\$226)
Accounts payable and accrued liabilities – Expenditures on property, plant and equipment	\$122	\$295
Depreciation capitalized – Mineral properties	\$226	\$306
OPERATING ACTIVITIES INCLUDED THE FOLLOWING CASH PAYMENTS		
Interest paid	\$750	-
Taxes paid	-	-

19. SEGMENTED INFORMATION

The Company's reportable operating segments are the operating Choco Mine and Isidora Mine, the aggregate of mineral properties, which are comprised of exploration and evaluation assets as well as development stage properties, and Corporate. All operating segment assets, liabilities, revenue and expenses relate to Venezuela except for Corporate operating segment assets and expenses, which relate to Canada. The following amounts are presented net of intercompany transactions where applicable.

Three months ended March 31, 2011

	Choco Mine	Isidora Mine	Exploration, Evaluation and Development	Corporate	Total
Revenues	\$22,370	\$6,125	\$-	\$-	\$28,495
Mining operating expenses	(24,612)	(5,531)	-	-	(30,143)
Depreciation and depletion	(2,971)	(222)	-	-	(3,193)
Share-based compensation expense	-	-	-	(10)	(10)
General and administrative	-	-	(212)	(1,547)	(1,759)
Foreign exchange (loss) gain	(3,787)	177	(77)	(50)	(3,737)
Interest on convertible loan	-	-	-	(1,504)	(1,504)
Gain on revaluation of derivative financial liabilities	-	-	-	2,174	2,174
Impairment of property, plant and equipment	-	(707)	-	-	(707)
Other income (expenses)	871	436	(211)	-	1,096
Deferred tax recovery	7,329	536	-	-	7,865
(Loss) profit from operations	(\$800)	\$814	(\$500)	(\$937)	(\$1,423)
Capital asset expenditures	\$2,549	\$707	\$5,481	\$-	\$8,737

19. SEGMENTED INFORMATION (Continued)

Three months ended March 31, 2010

	Choco Mine	Isidora Mine	Exploration, Evaluation and Development	Corporate	Total
Revenues	\$14,917	\$1,426	\$-	\$-	\$16,343
Mining operating expenses	(12,171)	(1,352)	-	-	(13,523)
Depreciation and depletion	(2,764)	(122)	-	-	(2,886)
Share-based compensation expense	-	-	-	(172)	(172)
General and administrative	-	-	(423)	(2,338)	(2,761)
Foreign exchange (loss) gain	(4,576)	1,129	6,633	368	3,554
Interest on convertible loan	-	-	-	(2,638)	(2,638)
Gain on revaluation of derivative financial liabilities	-	-	-	205	205
Impairment of property, plant and equipment	-	(12)	-	-	(12)
Other income (expenses)	140	-	(88)	(2)	50
Deferred tax recovery	3,014	42	-	-	3,056
(Loss) profit from operations	(\$1,440)	\$1,111	\$6,122	(\$4,577)	\$1,216
Capital asset expenditures	\$719	\$12	\$2,060	\$-	\$2,791

During the three months ended March 31, 2011 and March 31, 2010, all revenue was generated in Venezuela.

The customers with significant sales are included in the Choco Mine and Isidora Mine operating segments and are as follows:

	Three months ended	
	March 31, 2011 (\$)	March 31, 2010 (\$)
Customer A	13,384	13,694
Customer B	15,111	-
Customer C	-	1,964

19. SEGMENTED INFORMATION (Continued)

The Company's geographic segment information is as follows:

	March 31, 2011				
	Choco Mine	Isidora Mine	Exploration, Evaluation and Development	Corporate	Total
Assets					
Current assets	\$37,266	\$14,754	\$9,559	\$316	\$61,895
Receivables non-current	11,525	-	4,242	-	15,767
Property, plant and equipment	624,851	-	3,268	144	628,263
Mineral properties	-	-	266,437	-	266,437
Deferred tax assets	-	3,474	-	-	3,474
	<u>\$673,642</u>	<u>\$18,228</u>	<u>\$283,506</u>	<u>\$460</u>	<u>\$975,836</u>
Liabilities					
Current liabilities	\$73,624	\$7,533	\$6,470	\$16,544	\$104,171
Accrual for termination benefits	-	3,617	-	-	3,617
Derivative financial liabilities	-	-	-	1,918	1,918
Decommissioning and restoration provision	2,259	1,600	1,072	-	4,931
Deferred tax liabilities	201,630	-	-	-	201,630
	<u>\$277,513</u>	<u>\$12,750</u>	<u>\$7,542</u>	<u>\$18,462</u>	<u>\$316,267</u>
	December 31, 2010				
	Choco Mine	Isidora Mine	Exploration, Evaluation and Development	Corporate	Total
Assets					
Current assets	\$45,111	\$14,613	\$7,735	\$292	\$67,751
Receivables non-current	11,103	-	3,488	-	14,591
Property, plant and equipment	625,060	-	3,572	160	628,792
Mineral properties	-	-	266,155	-	266,155
Deferred tax assets	-	3,208	-	-	3,208
	<u>\$681,274</u>	<u>\$17,821</u>	<u>\$280,950</u>	<u>\$452</u>	<u>\$980,497</u>
Liabilities					
Current liabilities	\$69,323	\$5,949	\$5,770	\$17,280	\$98,322
Accrual for termination benefits	-	3,492	-	-	3,492
Derivative financial liabilities	-	-	-	4,001	4,001
Decommissioning and restoration provision	2,049	1,464	978	-	4,491
Deferred tax liabilities	209,229	-	-	-	209,229
	<u>\$280,601</u>	<u>\$10,905</u>	<u>\$6,748</u>	<u>\$21,281</u>	<u>\$319,535</u>

19. SEGMENTED INFORMATION (Continued)

	January 1, 2010				
	Choco Mine	Isidora Mine	Exploration, Evaluation and Development	Corporate	Total
Assets					
Current assets	\$47,901	\$11,616	\$5,486	\$13,653	\$78,656
Receivables non-current	11,110	-	1,931	-	13,041
Property, plant and equipment	627,112	-	4,184	248	631,544
Mineral properties	-	-	247,499	-	247,499
	<u>\$686,123</u>	<u>\$11,616</u>	<u>\$259,100</u>	<u>\$13,901</u>	<u>\$970,740</u>
Liabilities					
Current liabilities	\$81,331	\$5,681	\$2,324	\$1,321	\$90,657
Accrual for termination benefits	-	915	-	-	915
Derivative financial liabilities	-	-	-	324	324
Decommissioning and restoration provision	808	834	779	-	2,421
Deferred tax liabilities	238,887	-	-	-	238,887
	<u>\$321,026</u>	<u>\$7,430</u>	<u>\$3,103</u>	<u>\$1,645</u>	<u>\$333,204</u>

20. JOINT VENTURE INTEREST

On July 4, 2008, the Company entered into an agreement (“the Mixed Enterprise Agreement”) with MIBAM to create a mixed enterprise. Pursuant to the Mixed Enterprise Agreement, Minera Venrus C.A. (“Venrus C.A.”), a Venezuelan corporation was incorporated on December 23, 2008, and is 50% owned by the Company and 50% owned by Empresa de Producción Social Minera Nacional, C.A. (a Venezuelan government entity). The Company conducts a portion of its business through this joint venture under which the joint venture participants are bound by the articles of incorporation of Venrus C.A. The Company records its 50% proportionate share of assets, liabilities, revenues, and operating costs of the joint venture.

The following details the Company’s share of its investment in the joint venture that has been proportionately consolidated:

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets	\$14,754	\$14,613	\$11,616
Property, plant and equipment	-	-	-
Deferred tax assets	3,474	3,208	-
Mineral properties	184	184	184
	<u>\$18,412</u>	<u>\$18,005</u>	<u>\$11,800</u>
Liabilities			
Current liabilities	\$7,533	\$5,949	\$5,681
Other non-current liabilities	5,217	4,956	1,749
	<u>\$12,750</u>	<u>\$10,905</u>	<u>\$7,430</u>

	Three months ended	
	March 31, 2011	March 31, 2010
Revenues	\$6,125	\$1,426
Expenses	(5,488)	(1,444)
Foreign exchange gain	177	1,129
Net profit	<u>\$814</u>	<u>\$1,111</u>
Cash inflows (outflows)		
Operating activities	\$1,491	(\$93)
Investing activities	(707)	(12)
Financing activities	-	-
Increase (decrease) in cash	<u>\$784</u>	<u>(\$105)</u>

21. COMMITMENTS AND CONTINGENCIES

a. Commitments

At March 31, 2011, the Company is committed to payments under operating leases for premises, vehicles and machinery and to payments under contracts for explosives, construction of tailing dams, community relations, security, consulting and other services as follows:

	Total
2011	\$12,565
2012	8,854
2013	7,198
2014	6,061
2015 and thereafter	28,628
	<u>\$63,306</u>

b. Contingencies

i. Gold Reserve Lawsuit

On December 15, 2008, the Company launched an unsolicited take-over bid (“the Gold Reserve Bid”) for Gold Reserve Inc. (“Gold Reserve”). On February 18, 2009, the Company’s offer for Gold Reserve expired and because the conditions of the Company’s offer were not met, the Company did not take up any securities under the offer. The Company recorded the costs related to the Gold Reserve Bid and the resulting litigation as an other expense in profit or loss.

In December 2008, Gold Reserve commenced a claim against the Company and an advisor of the Company (“the Advisor”) seeking an injunction to restrain the Company’s unsolicited take-over bid for Gold Reserve as well as general damages of \$500,000 and punitive damages of \$50,000 on the basis that the Advisor improperly used Gold Reserve’s confidential information in advising the Company on the take-over bid. In February 2009, Gold Reserve obtained an interlocutory injunction to restrain the take-over bid. The Company subsequently served its defense and counterclaim in which it denied the allegations against it and sought damages of \$102,500 in respect of losses it has sustained as a result of the injunction’s issuance.

In June 2010, Gold Reserve amended its claim. The amended claim now seeks from the Company general damages of \$150,000 for trespass, conversion, and interference with contractual and economic relations, as well as punitive damages of \$50,000. The claim against the Advisor has also been reduced to a total of \$200,000. The outcome of this matter is not determinable at this time and no amount has been accrued in these interim financial statements for this claim. Based on the information currently available, an estimate of financial impact cannot be reasonably made.

ii. Non-compliance

During June 2010, the Company entered into transactions in the normal course of operations that were not in compliance with certain Venezuelan laws and regulations. As a result of this non-compliance, the Company may be subject to fines to a maximum of \$19,600 and/or denial of the Company’s ability to generate revenues. No amount has been accrued in these interim financial statements in connection with this matter since the outcome cannot be determined at this time. Based on the information currently available, an estimate of financial impact cannot be reasonably made.

21. COMMITMENTS AND CONTINGENCIES (Continued)

iii. Other Matters

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in the Company's favor, the Company does not currently believe that the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters or any amount which it may be required to pay by reason thereof would have a material impact on its consolidated statement of financial position, statement of comprehensive income (loss) or statement of cash flows. Based on the information currently available, estimates of financial impact cannot be reasonably made.

22. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

The Company's financial instruments consist of the following: cash, short-term investments, receivables, accounts payable and accrued liabilities, a convertible loan, and derivative financial liabilities in the form of share purchase warrants (as issued by the Company) with exercise prices denoted in a foreign currency.

The carrying amounts of cash, receivables and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. The share purchase warrants with exercise prices denoted in a foreign currency are carried at fair value on the consolidated financial statements. Management reviewed all significant financial instruments held by the Company and determined that no significant differences between fair value and carrying value existed as at March 31, 2011, except for the liability component of the convertible loan which has a fair value (as determined by the net present value method) of \$28,124 (December 31, 2010: \$28,121; January 1, 2010: \$58,403).

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

b. Financial Instrument Risk Exposure

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the previous period as to how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risks exposures are described below.

22. FINANCIAL INSTRUMENTS (Continued)

i. Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. Management does not believe the Company is exposed to any significant concentration of credit risk. Management determines concentration by the percentage of cash, short-term investments and receivables owed by a single party.

The Company's exposure to credit risk on its C\$ and US dollar cash and short-term investments is limited by maintaining these assets with high credit quality financial institutions and investing in highly rated corporations and government issuances in accordance with its investment policy as approved by the board of directors. The Company is exposed to the credit risk of Venezuelan banks, which hold cash for the Company's Venezuelan operations. The Company limits its exposure to this risk by maintaining BsF cash balances to fund only the short-term needs of its Venezuelan subsidiaries. The Company is also exposed to the credit risk of the CBV, as the Company's trade receivables are due from the CBV.

ii. Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its obligations associated with financial liabilities as they fall due. The Company manages liquidity risk by monitoring cash and other financial resources available to meet its maturing obligations.

The Company forecasts cash flows for a period of twelve months to identify financial requirements. These requirements are met through a combination of cash flows from operations, accessing capital markets, selling assets of the Company, and refinancing of the Loan, all or in part (Note 2). The table below provides a summary of the contractual obligations and payments related to financial liabilities included in the consolidated statement of financial position as at March 31, 2011. The amounts disclosed are the contractual undiscounted cash flows.

	2011	2012-2013	Total
Accounts payable and accrued liabilities	\$60,671	\$-	\$60,671
Interest on convertible loan	750	-	750
Convertible loan	30,000	-	30,000
	<u>\$91,421</u>	<u>\$-</u>	<u>\$91,421</u>

iii. Market Risk

(a) Interest Rate Risk

Interest rate risk is the risk that the future cash flows and fair values of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company monitors its fair value exposure to interest rates and is comfortable with its exposure given the relatively short term of its convertible loan. As at March 31, 2011, a 1% increase in interest rates would decrease the fair value of convertible loan by \$172 and a 1% decrease in interest rates would increase the fair value of the convertible loan by \$174. In addition, a 1% increase in interest rates would increase the fair value of the share purchase warrants with foreign currency exercise prices by \$36 and a 1% decrease in interest rates would decrease the fair value of the share purchase warrants with foreign currency exercise prices by \$36.

(b) Currency Risk

Currency risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk as the Company's financial assets and liabilities include items denominated in BsF and C\$.

22. FINANCIAL INSTRUMENTS (Continued)

Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange gains or losses recognized in profit or loss. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company's Venezuelan operations and cash holdings are currently subject to currency and exchange controls. These government-imposed controls may adversely affect the Company as such controls limit the Company's ability to flow US dollars out of the country for US dollar operating and capital expenditures. As at March 31, 2011, the Company holds cash of \$2,035 (December 31, 2010: \$3,626; January 1, 2010: \$667) in BsF.

The sensitivity of the Company's net profit (loss) from financial assets and liabilities due to changes in the exchange rate between the BsF, C\$, and the US dollar are summarized below:

	March 31, 2011	
	25% Increase in the BsF	25% Decrease in the BsF
Net (loss) profit	(\$9,643)	\$7,715

	March 31, 2011	
	10% Increase in the C\$	10% Decrease in the C\$
Net (loss) profit	(\$78)	\$71

23. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

24. IFRS

The Company's IFRS accounting policies presented in Note 3 have been applied in preparing these interim financial statements, the comparative information and the opening consolidated statement of financial position at the transition date.

The Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*, in preparing these first IFRS interim financial statements. The effects of the transition to IFRS on equity and comprehensive income (loss) are presented in this section and are further explained in the notes that accompany the tables presented below. There were no significant impacts on the consolidated statements of cash flows as a result of the transition to IFRS.

24. IFRS (Continued)

a. First-time Adoption of IFRS and Transitional Exemptions Applied

In accordance with IFRS 1, upon transition, certain standards are exempt from full retrospective application as at the transition date. In addition to the mandatory exemptions required, the Company has also elected to apply the following optional transitional exemptions:

- The Company has elected not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred prior to the transition date.
- The Company has elected not to apply IFRS 2, *Share-based Payments*, retrospectively to equity instruments that were granted and vested prior to the transition date.
- The Company has elected to eliminate all existing cumulative translation differences as at the transition date into deficit.
- The Company has elected not to apply IFRIC 7, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, retrospectively but alternatively has determined its decommissioning and restoration provision as at January 1, 2010 and was discounted to estimate the amount that would have been included in the cost of the related asset when the liability first arose.
- The Company has elected not to apply IAS 23, *Borrowing Costs*, retrospectively to borrowing costs incurred on qualifying assets for which the commencement date for capitalization, as defined by IAS 23, is prior to the transition date.

b. Presentation Differences

Certain line item descriptions have changed as a result the transition from Canadian GAAP to IFRS. The following list reconciles these differences:

IFRS	Canadian GAAP
Decommissioning and restoration provision	Asset retirement obligations
Deferred tax liabilities	Future income tax liabilities
Issued capital	Share capital
Share-based compensation expense	Stock-based compensation expense
Current tax expense (recovery)	Current income tax expense (recovery)
Deferred tax expense (recovery)	Future income tax expense (recovery)

24. IFRS (Continued)

c. Reconciliation of Canadian GAAP to IFRS

The January 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash	\$10,420	\$-	\$10,420
Short-term investments	3,806	-	3,806
Receivables	3,357	-	3,357
Inventories	51,366	1,619	52,985
Prepaid expenses and deposits	8,088	-	8,088
	<u>77,037</u>	<u>1,619</u>	<u>78,656</u>
Receivables	13,041	-	13,041
Property, plant and equipment	675,185	(43,641)	631,544
Mineral properties	268,794	(21,295)	247,499
	<u>\$1,034,057</u>	<u>(\$63,317)</u>	<u>\$970,740</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$29,959	(\$4,380)	\$25,579
Income taxes payable	2,812	-	2,812
Convertible loan	57,935	-	57,935
Other current provisions	-	4,331	4,331
	<u>90,706</u>	<u>(49)</u>	<u>90,657</u>
Accrual for termination benefits	915	-	915
Derivative financial liabilities	-	324	324
Decommissioning and restoration provision	3,125	(704)	2,421
Deferred tax liabilities	264,405	(25,518)	238,887
	<u>359,151</u>	<u>(25,947)</u>	<u>333,204</u>
EQUITY			
Issued capital	\$736,087	\$-	\$736,087
Equity component of convertible loan	4,733	-	4,733
Share purchase warrants issued	64,737	(64,737)	-
Contributed surplus	56,937	-	56,937
Accumulated other comprehensive loss	(5,558)	5,558	-
Deficit	(182,238)	21,809	(160,429)
	<u>674,698</u>	<u>(37,370)</u>	<u>637,328</u>
Non-controlling interests	208	-	208
	<u>674,906</u>	<u>(37,370)</u>	<u>637,536</u>
	<u>\$1,034,057</u>	<u>(\$63,317)</u>	<u>\$970,740</u>

24. IFRS (Continued)

The March 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	March 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash	\$6,719	\$-	\$6,719
Short-term investments	-	-	-
Receivables	3,173	-	3,173
Inventories	60,585	1,056	61,641
Prepaid expenses and deposits	10,422	-	10,422
	<u>80,899</u>	<u>1,056</u>	<u>81,955</u>
Receivables	11,453	-	11,453
Property, plant and equipment	672,335	(43,298)	629,037
Mineral properties	270,934	(21,295)	249,639
	<u>\$1,035,621</u>	<u>(\$63,537)</u>	<u>\$972,084</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$33,143	(\$3,777)	\$29,366
Income taxes payable	2,393	-	2,393
Convertible loan	59,090	-	59,090
Other current provisions	-	3,694	3,694
	<u>94,626</u>	<u>(83)</u>	<u>94,543</u>
Accrual for termination benefits	1,136	-	1,136
Derivative financial liabilities	-	108	108
Decommissioning and restoration provision	3,029	(769)	2,260
Deferred tax liabilities	218,768	16,345	235,113
	<u>317,559</u>	<u>15,601</u>	<u>333,160</u>
EQUITY			
Issued capital	\$736,087	\$-	\$736,087
Equity component of convertible loan	4,733	-	4,733
Share purchase warrants issued	64,737	(64,737)	-
Contributed surplus	57,109	-	57,109
Accumulated other comprehensive loss	(5,558)	5,558	-
Deficit	(139,602)	(19,959)	(159,561)
	<u>717,506</u>	<u>(79,138)</u>	<u>638,368</u>
Non-controlling interests	556	-	556
	<u>718,062</u>	<u>(79,138)</u>	<u>638,924</u>
	<u>\$1,035,621</u>	<u>(\$63,537)</u>	<u>\$972,084</u>

24. IFRS (Continued)

The December 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash	\$4,054	\$-	\$4,054
Short-term investments	-	-	-
Receivables	12,755	-	12,755
Inventories	38,976	(807)	38,169
Prepaid expenses and deposits	12,773	-	12,773
	<u>68,558</u>	<u>(807)</u>	<u>67,751</u>
Receivables	14,591	-	14,591
Property, plant and equipment	668,996	(40,204)	628,792
Mineral properties	285,831	(19,676)	266,155
Deferred tax assets	-	3,208	3,208
	<u>\$1,037,976</u>	<u>(\$57,479)</u>	<u>\$980,497</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$59,070	(\$4,027)	\$55,043
Deferred revenue	6,643	-	6,643
Income taxes payable	3,691	-	3,691
Convertible loan	28,631	-	28,631
Other current provisions	-	4,314	4,314
	<u>98,035</u>	<u>287</u>	<u>98,322</u>
Accrual for termination benefits	3,492	-	3,492
Derivative financial liabilities	-	4,001	4,001
Decommissioning and restoration provision	5,450	(959)	4,491
Deferred tax liabilities	338,973	(129,744)	209,229
	<u>445,950</u>	<u>(126,415)</u>	<u>319,535</u>
EQUITY			
Issued capital	\$736,238	\$-	\$736,238
Equity component of convertible loan	1,223	-	1,223
Share purchase warrants issued	65,610	(65,610)	-
Share purchase warrants committed	330	(330)	-
Contributed surplus	62,970	-	62,970
Accumulated other comprehensive loss	(5,558)	5,558	-
Deficit	(270,808)	129,318	(141,490)
	<u>590,005</u>	<u>68,936</u>	<u>658,941</u>
Non-controlling interests	2,021	-	2,021
	<u>592,026</u>	<u>68,936</u>	<u>660,962</u>
	<u>\$1,037,976</u>	<u>(\$57,479)</u>	<u>\$980,497</u>

24. IFRS (Continued)

The Canadian GAAP consolidated statement of comprehensive income (loss) for the three months ended March 31, 2010 has been reconciled to IFRS as follows:

	Three months ended March 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
REVENUES FROM MINING OPERATIONS	\$16,343	\$-	\$16,343
COSTS OF MINING OPERATIONS			
Mining operating expenses	13,537	(14)	13,523
Depreciation and depletion	2,960	(74)	2,886
	16,497	(88)	16,409
(LOSS) PROFIT FROM MINING OPERATIONS	(154)	88	(66)
Share-based compensation expense	172	-	172
General and administrative	2,761	-	2,761
Foreign exchange (gain) loss	(41,755)	38,201	(3,554)
	(38,822)	38,201	(621)
PROFIT (LOSS) FROM OPERATIONS	38,668	(38,113)	555
Interest on convertible loan	2,638	-	2,638
Gain on revaluation of derivative financial liabilities	-	(205)	(205)
Impairment of property, plant and equipment	-	12	12
Other expenses (income)	104	(154)	(50)
	2,742	(347)	2,395
PROFIT (LOSS) BEFORE INCOME TAXES	35,926	(37,766)	(1,840)
Deferred tax (recovery) expense	(7,058)	4,002	(3,056)
	(7,058)	4,002	(3,056)
PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$42,984	(\$41,768)	\$1,216
Attributable to:			
Non-controlling interests	348	-	348
Equity shareholders of the Company	42,636	(41,768)	868
	\$42,984	(\$41,768)	\$1,216

24. IFRS (Continued)

The Canadian GAAP consolidated statement of comprehensive (loss) income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Year ended December 31, 2010		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
REVENUES FROM MINING OPERATIONS	\$143,672	\$-	\$143,672
COSTS OF MINING OPERATIONS			
Mining operating expenses	111,515	161	111,676
Depreciation and depletion	21,420	(2,337)	19,083
	<u>132,935</u>	<u>(2,176)</u>	<u>130,759</u>
PROFIT FROM MINING OPERATIONS	<u>10,737</u>	<u>2,176</u>	<u>12,913</u>
Share-based compensation expense	1,417	-	1,417
General and administrative	9,187	-	9,187
Foreign exchange loss (gain)	100,848	(106,109)	(5,261)
	<u>111,452</u>	<u>(106,109)</u>	<u>5,343</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(100,715)</u>	<u>108,285</u>	<u>7,570</u>
Interest on convertible loan	8,005	-	8,005
Loss on revaluation of derivative financial liabilities	-	2,369	2,369
Impairment of property, plant and equipment	-	1,496	1,496
Other expenses	929	96	1,025
	<u>8,934</u>	<u>3,961</u>	<u>12,895</u>
(LOSS) PROFIT BEFORE INCOME TAXES	<u>(109,649)</u>	<u>104,324</u>	<u>(5,325)</u>
Current tax expense	534	-	534
Deferred tax recovery	(23,426)	(3,185)	(26,611)
	<u>(22,892)</u>	<u>(3,185)</u>	<u>(26,077)</u>
NET (LOSS) PROFIT AND COMPREHENSIVE (LOSS) INCOME	<u>(\$86,757)</u>	<u>\$107,509</u>	<u>\$20,752</u>
Attributable to:			
Non-controlling interests	1,813	-	1,813
Equity shareholders of the Company	(88,570)	107,509	18,939
	<u>(\$86,757)</u>	<u>\$107,509</u>	<u>\$20,752</u>

24. IFRS (Continued)

d. Notes to the Reconciliations

i. Decommissioning and Restoration Provisions

Under IFRS, the Company recognizes a provision based on the estimated amount required to settle any rehabilitation obligation at the time of decommissioning, discounted using a pre-tax discount rate that reflects the market's assessment of the time value of money and the risks specific to the liability at the reporting date. IFRS also requires changes in the liability to be recorded each period based on changes in discount rates in addition to changes in estimated timing or amount of future cash flows.

As a result of applying the IFRS 1 election related to decommissioning and restoration provision, the Company estimated the amount that would have been included in the cost of the decommissioning and restoration asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate that would have applied for that liability over the periods prior to the transition date. Accumulated depreciation and depletion on the cost at the transition date was determined using the UOP method based on the current estimate of the life of mine and the recoverable ounces to be mined from estimated proven and probable reserves.

Under Canadian GAAP, the Company recorded a decommissioning and restoration provision based on the estimated amount to be paid out at the time of decommissioning discounted to the current date using a credit adjusted risk free rate. Subsequent to a decommissioning and restoration provision being recorded, changes to the estimated liability, other than accretion, were recorded only as a result of changes in the timing or amount of future cash flows to settle the obligations.

On transition to IFRS, the current and non-current portions of the decommissioning and restoration provision were decreased by \$49 and \$704, respectively, in the January 1, 2010 consolidated statement of financial position. The application of the IFRS 1 exemption resulted in a decrease of \$337 to the carrying value of property, plant and equipment in the January 1, 2010 consolidated statement of financial position. These adjustments resulted in a decrease in the Company's deficit of \$416.

During the three months ended March 31, 2010, the accounting under IFRS resulted in a decrease of \$35 and \$65 in the current and non-current portions, respectively, of the decommissioning and restoration provision. The carrying value of the property, plant and equipment was decreased by \$280. Other adjustments included a \$350 increase to the loss on foreign exchange, \$14 and \$2 decreases to mining operating expense and depreciation and depletion, respectively, and a \$14 reduction to finance expense (accretion) and a \$140 gain recognized on revaluation of the provision, both of which were recognized through other expenses.

During the year ended December 31, 2010, the accounting under IFRS resulted in an increase of \$336 and a decrease of \$254 in the current and non-current portions, respectively, of the decommissioning and restoration provision. The carrying value of the property, plant and equipment increased by \$831, net of an impairment of \$731 on amounts related to the capitalization of the increase in the provision. Other adjustments included a decrease in the foreign currency loss of \$1,561, a \$161 increase to mining operating expenses, a \$2 decrease to depreciation and depletion, and an increase of \$62 to finance expense (accretion) with a \$140 gain recognized on revaluation of the provision, both of which were recognized through other expenses. In addition, during the period, an amount of \$731 was capitalized into the property, plant and equipment relating to the Isidora segment, which was immediately impaired.

24. IFRS (Continued)

ii. Share Purchase Warrants

Under IFRS, the outstanding C\$ denominated share purchase warrants, related to the Goldfields and Mena acquisitions, a sale inducement to a customer, and costs associated with the restructuring of the Loan, are considered derivative financial instruments and have been reclassified as derivative financial liabilities, measured at fair value. On initial recognition, and at each subsequent reporting date, the derivative financial liabilities are adjusted to fair value and changes in fair value are recognized in profit or loss.

Under Canadian GAAP, the Company accounted for its C\$ denominated share purchase warrants as equity instruments measured at their historical cost.

On transition, the accounting under IFRS resulted in a decrease of \$64,737 in share purchase warrants issued, the recognition of \$324 as the unrealized fair value of the derivative financial liabilities, and a decrease of \$64,413 to the Company's deficit representing the impacts of the reclassification and revaluation of the C\$ share purchase warrants at fair value as at the transition date.

During the three months ended March 31, 2010, the accounting under IFRS resulted in a decrease of \$216 to the derivative financial liabilities, and a corresponding foreign exchange gain increase of \$11 and a gain on revaluation of the derivative financial liabilities of \$205.

During the year ended December 31, 2010, a total of \$1,203 was removed from share purchase warrants issued and share purchase warrants committed in order to reclassify these instruments as derivative financial liabilities. The reclassification of these share purchase warrants, in addition to increases in the fair value of the share purchase warrants, resulted in the recognition of an increase in the derivative financial liabilities of \$3,677. During the period, the foreign exchange loss also increased by \$106 and loss on revaluation of financial liabilities increased by \$2,369.

iii. Deferred Tax on Prior Asset Acquisitions

Under IFRS, a deferred tax liability or asset is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination.

Under Canadian GAAP, when an asset is acquired other than in a business combination and the tax basis of that asset is less than or more than its cost, the cost or benefit of deferred taxes recognized at the time of acquisition should be added to or deducted from the cost of the asset and the deferred tax liability or asset recognized.

On transition to IFRS, the requisite accounting resulted in a decrease in mineral properties of \$19,676 and deferred tax liabilities of \$13,348. The difference of \$6,328 was an increase to the deficit.

During the three months ended March 31, 2010, as no deferred tax liability exists under IFRS, the previous Canadian GAAP adjustments to this amount were reversed. The accounting required under IFRS resulted in an increase of \$1,964 to the deferred tax liabilities and foreign exchange loss.

Similarly, during the year ended December 31, 2010, the Company recorded an increase of \$5,184 in foreign exchange gains, resulting from the decrease in deferred tax liabilities by the same amount.

24. IFRS (Continued)

iv. Impairment of Property, Plant and Equipment and Mineral Properties

Under IFRS, IAS 36, *Impairment of Assets* requires an impairment charge to be recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use, is less than the carrying amount. The impairment charge under IFRS is the amount by which the carrying amount exceeds the recoverable amount. In addition, impairment losses for assets other than goodwill are required to be reversed where circumstances requiring the impairment charge have changed and support the reversal.

Under Canadian GAAP, whenever the estimated future cash flows on an undiscounted basis of a property are less than the carrying amount of the property, an impairment loss is measured and recorded based on fair values. Canadian GAAP does not permit the reversal of impairment losses recognized in prior periods under any circumstances.

Under Canadian GAAP, no impairment charge was recognized for property, plant and equipment or mineral properties prior to and as at December 31, 2010.

On transition to IFRS, the Company completed a review for impairment indicators for its various mineral and mining properties, which resulted in the performance of an impairment test for a cash-generating unit consisting of the Isidora mining operation, the Twin Shear non-depletable mining property, and related machinery and equipment (collectively referred to herein as the "Isidora CGU"). Details regarding the Isidora segment are provided in Note 19. The impairment assessment for the Isidora CGU was prompted as a result of the additional costs being capitalized with the carrying value as a result of the adoption of IFRS, such as for the increase in the decommissioning and restoration provision.

The assessment was performed in accordance with the methodology described in Note 3(j) using the Isidora CGU's value in use model as the recoverable amount with a blended discount rate of 21.3%, representing the pre-tax, risk-free rate representative of the time value of money and the uncertainties specific to the Isidora CGU. As a result of the impairment test, it was determined that the carrying amount of the Isidora CGU was not fully recoverable. As a result, the Company reduced the net carrying value of its property, plant and equipment by \$39,990, with corresponding decrease in the deferred tax liabilities of \$12,559, and an impairment loss of \$27,432, thereby increasing the deficit.

During the three months ended March 31, 2010, costs of property, plant and equipment attributable to the Isidora CGU was decreased by \$12 (the additions for the period), with a corresponding increase to impairment loss of the same amount. Accumulated depreciation and depletion on property, plant and equipment was reduced by \$709, and depreciation and depletion and gold inventory were correspondingly decreased by \$146 and \$563, respectively. Deferred tax liabilities also increased by \$1,912, with a decrease in deferred tax recovery of \$69 and a decrease in foreign exchange gain of \$1,843.

During the year ended December 31, 2010, costs of property, plant and equipment attributable to the Isidora CGU was decreased by \$940 (additions for the year), with a corresponding increase to impairment loss of the same amount. Accumulated depreciation and depletion on property, plant and equipment was reduced by \$2,912, and depreciation and depletion and gold inventory were correspondingly decreased by \$2,104 and \$808, respectively. Deferred tax liabilities also decreased by \$3,673, with a decrease in deferred tax recovery of \$1,020 and an increase to the foreign exchange gain of \$4,694.

v. Componentization of Property, Plant and Equipment

Under IFRS, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is required to be depreciated separately, unless its useful life and depreciation method is the same as those of another item, in which case they may be grouped.

24. IFRS (Continued)

Under Canadian GAAP, the cost of an item of property, plant and equipment made up of significant separable component parts is allocated to the component parts only when practicable and when estimates can be made of the lives of the separate components.

On transition to IFRS, costs of property, plant and equipment decreased by \$13,357, of which \$9,310 was related to depletable mining properties. Accumulated depreciation and depletion on property, plant and equipment decreased by \$10,044, and deficit was increased by \$3,314. This adjustment also triggered a decrease in the deferred tax liabilities of \$1,127, and the corresponding amount as a decrease to deficit.

During the three months ended March 31, 2010, the accounting under IFRS resulted in increases in costs of property, plant and equipment and foreign exchange gains of \$1, as well as increases in accumulated depreciation and depletion and depreciation and depletion expense of \$74.

During the year ended December 31, 2010, the accounting under IFRS resulted in an increase in costs of property, plant and equipment and foreign exchange gain of \$404, as well as decreases in accumulated depreciation and depletion and depreciation and depletion expense of \$275.

vi. Deferred Tax Liabilities

Under IFRS, in the determination of temporary differences, the carrying value of non-monetary assets and liabilities are translated into the functional currency at the historical rate and compared to its tax value translated into the functional currency at the current rate. The resulting temporary difference (measured in the functional currency) is then multiplied by the appropriate tax rate to determine the related deferred tax balance.

Under Canadian GAAP, in the determination of temporary differences related to non-monetary assets and liabilities, the temporary differences computed in local currency are multiplied by the appropriate tax rate. The resulting deferred tax amount is then translated into the Company's functional currency if it is different from the local currency.

On transition to IFRS, the requisite accounting related to the determination of temporary differences of foreign currency non-monetary assets and liabilities resulted in a January 1, 2010 statement of financial position adjustment to increase the deferred tax liabilities and the deficit by approximately \$1,515.

During the three months ended March 31, 2010, the accounting required under IFRS resulted in a decrease of \$3,933 in deferred tax recovery, an increase of \$37,986 to deferred tax liabilities, and a decrease of \$34,503 to foreign exchange gains.

During the year ended December 31, 2010, deferred tax recovery was increased by \$4,206, and deferred tax liabilities were decreased by \$98,577, with a decrease in foreign exchange losses of \$94,371. During the same period, the impacts of the changes in offsetting rules also resulted in a \$3,208 reclassification between deferred tax assets and liabilities.

vii. Other Provisions

Under IFRS, provisions representing obligations with uncertain timing and/or settlement amounts are required to be separately presented on the consolidated statement of financial position. Canadian GAAP did not have this requirement.

On transition to IFRS, a reclassification was recognized to increase other provisions by \$4,331 and decrease accounts payable and accrued liabilities by a corresponding amount.

During the three months ended March 31, 2010, other provisions was decreased, and accounts payable and accrued liabilities were increased, by \$637.

24. IFRS (Continued)

During the year ended December 31, 2010, other provisions was decreased by \$18, with a corresponding increase to accounts payable and accrued liabilities.

25. SUBSEQUENT EVENTS

a. New Mining Services Contract

On June 16, 2011, the Company entered into an agreement with Vittoria Limited ("Vittoria"), a Barbados privately owned company, for the provision of mining services at its Choco Mine in Venezuela. The mining services will comprise loading, hauling and dumping of material but excludes drilling and blasting activities and will be part of a mining service contract ("Mining Service Contract") to be entered into between the Company and Vittoria. The Mining Service Contract will be for a period of fifty-two months and the services will be paid at a rate of \$4.70 per cubic meter of material mined. During the first sixteen months of mining services and up to a ceiling of ten million cubic meters of material mined, the services will be paid with common shares of the Company. The share issuance price for the first ten months of mining services will be C\$0.60 per common share and for the following six months will be C\$0.75 per common share. The shares will be issued immediately after completion of each period of services and subject to TSX Venture Exchange approval. Any excess of mining services over the cumulative ten million cubic-meter ceiling will be payable in cash. The US dollar to C\$ exchange rate to be used to determine the number of common shares to be issued will be the one in effect at the time of issuance of the common shares.

b. Loan Repayment

On June 10, 2011, the Company did not perform the repayment of the Loan for \$30,000 (Note 2).